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UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

LOREN GIEBRECHT, Derivatively On Case No.
Behalf OF L&L ENERGY, INC.,

Plaintiff,

vs.

**VERIFIED COMPLAINT FOR
BREACH OF FIDUCIARY DUTY
WITH JURY DEMAND**

DICKSON V. LEE, SYD S. PENG,
JINGCAI YANG, JAMES SCHAEFFER,
and JOSEPH BORICH,

Defendants,

and

L&L ENERGY, INC.,

Nominal Defendant.

_____/

This is a verified shareholder derivative action brought on behalf of Nominal Defendant L&L Energy, Inc. ("L&L" or the "Company"). The relevant period is from September 11, 2012 through and including September 18, 2013 (the "Relevant Period"). This action is brought

1 against certain of L&L's current officers and directors for breaches of fiduciary duties and unjust
2 enrichment.

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over the subject matter of this action pursuant to 28
5 U.S.C. § 1332(a)(2) in that Plaintiff and Defendants are citizens of different states and the
6 amount in controversy exceeds \$75,000.00 exclusive of interest and costs.

7 2. This action is not a collusive one designed to confer jurisdiction upon a court of
8 the United States that it would not otherwise have.

9 3. Venue is proper in this District pursuant to 28 U.S.C. §1391(a) because a
10 substantial portion of transactions and wrongs complained of herein occurred in this District.
11 The Company is incorporated in Nevada.

12 **PARTIES**

13 4. Plaintiff Loren Giesbrecht is a current shareholder of L&L and has continuously
14 held L&L stock during the Relevant Period and through the present. Plaintiff is a citizen of
15 New York.

16 5. Nominal Defendant L&L formerly known as L&L International Holdings, is a
17 coal-mining company founded in 1995. L&L purports, through its subsidiaries, to engage in
18 coal mining, clean coal washing, coal coking, and coal wholesaling businesses in China. The
19 Company's coal products include washed coal and metallurgical coke used primarily for steel
20 manufacturing. The Company is incorporated in Nevada.

21 6. Defendant Dickson V. Lee ("Lee") is, and at all relevant times was, Chairman,
22 CEO and a director of L&L. Dickson Lee is a resident of Washington.

23 7. Defendant Syd S. Peng ("Peng") is, and at all relevant times was, a coal advisor
24 and a director of L&L. Defendant Peng is a resident of West Virginia. Defendant Peng is a
25 member of the Audit and Compensation committees, and Chair of the Nominating Committee.

26 8. Defendant Jingcai Yang ("Yang") is, and at all relevant times was, a Director of
27 L&L. Upon information and belief, Defendant Yang is a resident of Washington. Defendant
28

1 Yang is a member of Audit and Nominating committees, and Chair of the Compensation
2 Committee.

3 9. Defendant Clayton Fong ("Fong") is, and at all relevant times was, a Director and
4 Vice President of L&L. Upon information and belief, Defendant Fong is a resident of
5 Washington.

6 10. Defendant Mohan Datwani ("Datwani") is, and at all relevant times was, a
7 Director of L&L. Upon information and belief, Defendant Datwani is a resident of Hong Kong.
8 Defendant Datwani is a member of the Compensation and Nominating committees and Chair of
9 the Audit Committee.

10 11. Defendants Lee, Peng, Yang, Fong and Datwani are collectively referred to
11 herein as the "Individual Defendants."

12 **DEFENDANTS' DUTIES**

13 12. Defendants, because of their positions of control and authority as officers and
14 directors of the Company, were able to and did, directly and indirectly, control or fail to control
15 the wrongful acts complained of herein. Because of their executive positions with the
16 Company, Defendants had access to adverse non-public information about the financial
17 condition and operations of the Company, including, without limitation.

18 13. To discharge their duties, Defendants were required to exercise reasonable and
19 prudent supervision over the management, policies, practices, and controls of the financial,
20 business, and corporate affairs of the Company. By virtue of such duties, Defendants were
21 required, among other things, to:

22 (a) Manage, conduct, supervise and direct the business affairs of the
23 Company in accordance with the laws of the United States, the states and countries in which it
24 conducted business, and the Company's charter and bylaws; and

25 (b) Implement and oversee in good faith, and with loyalty, adequate internal
26 controls sufficient to accurately report the Company's true financial condition in accordance
27 with applicable federal and state laws, rules and regulations.
28

1 14. Defendants further owed to L&L the duty of loyalty, including the duty of
2 candor, requiring full and accurate disclosure of the Company's true financial condition,
3 including the adequacy of its internal controls.

4 15. In addition, as part of the duty of loyalty owed to the Company, Defendants were
5 required to preserve the assets of the corporation by, inter alia, enforcing the rights of the
6 Company to recover damages caused to the corporation by the wrongful acts of others.

7 **DEFENDANTS' FALSE AND MISLEADING STATEMENTS**
8 **ISSUED DURING THE RELEVANT PERIOD**

9 16. On September 10, 2012, after the market closed, L&L issued a press release
10 announcing its financial results for the first quarter ended July 31, 2012. For the quarter, the
11 Company reported net income of \$8.5 million, or \$0.17 diluted earnings per share ("EPS") and
12 net revenues of \$45.3 million, as compared to net income of \$3.1 million, or \$0.08 diluted EPS
13 and net revenues of \$36.1 million for the same period of the prior year.

14 17. On September 10, 2012, the Company filed a quarterly report on Form 10-Q for
15 the first quarter ended July 31, 2012 with the SEC, which was signed by Defendant Lee, and
16 reiterated the Company's previously announced financial results and financial position. In
17 addition, pursuant to Sarbanes-Oxley Act of 2002 ("SOX"), the Form 10-Q contained a signed
18 certification by Defendant Lee, stating that the financial information contained in the 10-Q was
19 accurate, and disclosed any material changes to the Company's internal control over financial
20 reporting.

21 18. The Form 10-Q stated the following in relevant part:

22 On March 15, 2011, the Company entered into an Acquisition
23 Agreement to acquire 60% equity of the DaPing Coal Mine
24 ("DaPing"), with an effective date of March 15, 2011, for a
25 purchase price of 112,080,000 RMB (equivalent to approximately
26 US \$17,064,815). An initial installment of 10,000,000 RMB
27 (equivalent to US \$1,592,686) had been paid as of July 31, 2012.
28 The remaining balance of 102,080,000 RMB is to be paid based
on the achievement of several requirements by the Company and
DaPing, which were met during the year-ended April 30, 2012.
After meeting five requirements, 30% of the total purchase price,
RMB 33,624,000 (equivalent to US \$5,355,249) should be paid.
The remaining balance of 68,456,000 RMB (equivalent to US
\$10,902,894) is payable after meeting another 3 requirements
subsequent. As of July 31, 2012, the remaining balance of
approximately US \$15 million is payable since the first 5

requirements haven't been fully met. The Company paid the \$1,676,307 of the total amount of purchase price in the period ended July 31, 2012.

* * *

Sale of Ping Yi Mine

With consideration of several factors including continuing development strategies, the Company made the determination to dispose of the Ping Yi Mine. On April 30, 2012, the Company entered into an Equity Sale and Purchase Agreement with Mr. Zhang, the previous owner of Ping Yi Mine, whereby the company sold its 100% equity ownership interest in Ping Yi Mine for RMB 196,000,000, approximately \$31,000,000. The payment was agreed to take the form of receipt with payment in two parts, (1) through receipt of coal extracted from Ping Yi Mine subsequent to the disposal, including priority receipt of future coal from Ping Yi mine at a 5% discounted price compared to the market price until 70% of the payment is received; (2) through receipt of the use of Ping Yi Mine's washing facilities subsequent to disposal, including usage fees charged at a 3%-5% discounted price compared to the market price until 30% of the payment is received. The terms of the agreement state that full payment must be received within five years, and that 70% of total receipts must occur by the end of year three. As of July 31, 2012, the Company received total payment of 869,374, which \$825,155 as prepayment of raw coal and 44,219 as coal washing facilities service.

19. On December 10, 2012, the Company issued a press release announcing its financial results for the second quarter ended October 31, 2012. For the quarter, the Company reported net income of \$10.8 million, or \$0.21 diluted EPS and net revenues of \$45.5 million, as compared to net income of \$5.3 million, or \$0.11 diluted EPS and net revenues of \$29.5 million for the same period of the prior year.

20. On December 10, 2012, the Company filed a quarterly report on Form 10-Q for the second quarter ended October 31, 2012 with the SEC, which was signed by Defendant Lee, and represented the Company's quarterly financial results and financial position. In addition, pursuant to SOX, the Form 10-Q contained a signed certification by Defendant Lee, stating that the financial information contained in the 10-Q was accurate, and disclosed any material changes to the Company's internal control over financial reporting.

21. The Form 10-Q stated the following in relevant part:

On March 15, 2011, the Company entered into an Acquisition Agreement to acquire 60% equity of the DaPing Coal Mine ("DaPing"), with an effective date of March 15, 2011, for a

1 purchase price of 112,080,000 RMB (equivalent to approximately
2 US \$17,064,815). The Company had effective control of Da Ping
3 since right after the signing of the Acquisition Agreement on
4 March 15, 2011. An initial installment of 10,000,000 RMB
5 (equivalent to US \$1,592,686) had been paid as of July 31, 2012.
6 The remaining balance of 102,080,000 RMB is to be paid based
7 on the achievement of several requirements by the Company and
8 DaPing. After meeting five requirements, 30% of the total
9 purchase price, RMB 33,624,000 (equivalent to US \$5,355,249)
10 should be paid. The remaining balance of 68,456,000 RMB
11 (equivalent to US \$10,902,894) is payable after meeting another 3
12 requirements subsequent. As of October 31, 2012, the remaining
13 balance of approximately US \$11.7 million is payable since the
14 first 5 requirements haven't been fully met. The Company paid
15 the \$6,018,817 of the total amount of purchase price in the period
16 ended October 31, 2012.

17 * * *

18 Sale of Ping Yi Mine

19 With consideration of several factors including continuing
20 development strategies, the Company made the determination to
21 dispose of the Ping Yi Mine.

22 On April 30, 2012, the Company entered into an Equity Sale and
23 Purchase Agreement with Mr. Zhang, the previous owner of Ping
24 Yi Mine, whereby the Company sold its 100% equity ownership
25 interest in Ping Yi Mine for RMB 196,000,000, approximately
26 \$31,000,000. The payment was agreed to take the form of receipt
27 with payment in two parts, (1) through receipt of coal extracted
28 from Ping Yi Mine subsequent to the disposal, including priority
receipt of future coal from Ping Yi mine at a 5% discounted price
compared to the market price until 70% of the payment is
received; (2) through receipt of the use of Ping Yi Mine's washing
facilities subsequent to disposal, including usage fees charged at a
3%-5% discounted price compared to the market price until 30%
of the payment is received. The terms of the agreement state that
full payment must be received within five years, and that 70% of
total receipts must occur by the end of year three. As of October
31, 2012, the Company received total payment of \$3,575,262
which \$3,387,663 as prepayment of raw coal and \$187,599 as coal
washing facilities service.

The Company recorded \$408,020 as income from discontinued
operations for the year-ended April 30, 2012. Additionally, the
Company recorded \$3,183,786 of costs to dispose related to the
provision of discounting the estimated receipt of the payment over
the payment term (refer to Note 5 and 11). Subsequently, the
Company has written back \$318,378 as income related to the
provision for the six months ended October 31, 2012.

On October 26, 2012, the Company decided to proceed with the
Sales and Purchase Agreement with Union Energy for Luozhou
and Lashu mines located in the Guizhou Province, China. This
transaction was then completed on November 18, 2012.

1 Under the Agreement, the Company acquired 95% of both
2 Luozhou and Lashu mines from Union Energy for \$37.1 million.
3 This payment was satisfied by a cash outlay of approximate \$1.7
4 million and transfers of the Company's interests in Zonelin
5 Coking Plant (98%) and the DaPing Mine (60%).

6 22. On March 11, 2013, L&L issued a press release announcing its financial results
7 for the third quarter ended January 31, 2013. For the quarter, the Company reported net income
8 of \$18.8 million, or \$0.42 diluted EPS and net revenues of \$59.9 million, as compared to net
9 income of \$4.9 million, or \$0.12 diluted EPS and net revenues of \$19.4 million for the same
10 period of the prior year.

11 23. On March 11, 2013, the Company filed a quarterly report on Form 10-Q for the
12 third quarter ended January 31, 2013 with the SEC, which was signed by Defendant Lee, and
13 reiterated the Company's previously announced quarterly financial results and financial position.
14 In addition, pursuant to SOX, the Form 10-Q contained a signed certification by Defendant Lee,
15 stating that the financial information contained in the 10-Q was accurate, and disclosed any
16 material changes to the Company's internal control over financial reporting.

17 24. The Form 10-Q stated the following in relevant part:

18 On March 15, 2011, the Company entered into an Acquisition
19 Agreement to acquire 60% equity of the DaPing Coal Mine
20 ("DaPing"), with an effective date of March 15, 2011, for a
21 purchase price of 112,080,000 RMB (equivalent to approximately
22 US \$17,064,815). The Company had effective control of DaPing
23 since right after the signing of the Acquisition Agreement on
24 March 15, 2011.

25 Sale of Ping Yi Mine

26 With consideration of several factors including continuing
27 development strategies, the Company made the determination to
28 dispose of the Ping Yi Mine. On April 30, 2012, the Company
entered into an Equity Sale and Purchase Agreement with Mr.
Zhang, the previous owner of Ping Yi Mine, whereby the
company sold its 100% equity ownership interest in Ping Yi Mine
for RMB 196,000,000, approximately \$31,000,000. The payment
was agreed to take the form of receipt with payment in two parts,
(1) through receipt of coal extracted from Ping Yi Mine
subsequent to the disposal, including priority receipt of future coal
from Ping Yi mine at a 5% discounted price compared to the
market price until 70% of the payment is received; (2) through
receipt of the use of Ping Yi Mine's washing facilities subsequent
to disposal, including usage fees charged at a 3%-5% discounted
price compared to the market price until 30% of the payment is
received. The terms of the agreement state that full payment must

1 be received within five years, and that 70% of total receipts must
 2 occur by the end of year three. As of January 31, 2013, the
 3 Company received total payment of \$5,619,088 which \$5,324,718
 as prepayment of raw coal and \$294,370 as coal washing facilities
 service.

4 The Company recorded \$408,020 as income from discontinued
 5 operations for the year-ended April 30, 2012. Additionally, the
 6 Company recorded \$3,183,786 of costs to dispose related to the
 7 provision of discounting the estimated receipt of the payment over
 the payment term (refer to Note 5 and 11). Subsequently, the
 Company has written back \$477,568 as income related to the
 provision for the nine months ended January 31, 2013.

8 Sale of DaPing Coal Mine

9 With consideration of several factors including continuing
 10 development strategies, the Company made the determination to
 11 dispose of the DaPing Mine. On November 18, 2012, the
 12 Company decided to purchase two coal mines, which are
 LouZhou and LaShu mines by making a swap of the 60% equity
 interest in DaPing mine and 98% equity interest in ZoneLin
 Coking Plant. The fair value of the 60% equity interest in DaPing
 is reasonably stated by the amount of approximately \$23 million,
 including \$0.5 million on assets write-up per fair value
 measurement.

14 Sale of ZoneLin Coking Plant

15 With consideration of several factors including continuing
 16 development strategies, the Company made the determination to
 17 dispose of the ZoneLin Coking Plant. On November 18, 2012, the
 18 Company decided to purchase two coal mines, which are
 LouZhou and LaShu mines by making a swap of the 60% equity
 interest in DaPing mine and 98% equity interest in ZoneLin
 Coking Plant. The fair value of the 100% equity interest in
 ZoneLin is reasonably stated by the amount of RMB 77,786,000
 (approximately \$12.4 million, including \$2.7 million on assets
 write-up per fair value measurement).

20 * * *

21 In December 2012, China's National Policy changed to allows
 22 sole proprietorship of mines to be changed to special limited
 23 company. The Company made these changes on March 1, 2013.
 The name of DaPuAn Coal Mine ("DaPuAn") has been changed
 to Shizong HengTai Coal Mining Co., Ltd. DaPuAn Mine
 ("HengTaiDaPuAn"). Similarly, SuTsong Coal Mine ("SuTsong")
 24 has been changed to limited partnership structure. Under the
 25 agreements, the Company still has 80% of the equity in both of
 HengTai DaPuAn and SuTsong. The transactions do not impact
 the existing ownership of both mines by the Company.

26
 27 25. On July 30, 2013, L&L issued a press release announcing its financial results for
 28 the fiscal year ended April 30, 2013. For the year, the Company reported net income of \$49.2

1 million, or \$0.98 diluted EPS and net revenues of \$199 million, as compared to net income of
 2 \$19.2 million, or \$0.42 diluted EPS and net revenues of \$112.9 million for the same period of
 3 the prior year.

4 26. On July 30, 2013, the Company filed its annual report on Form 10-K for the fiscal
 5 year ended April 30, 2013 with the SEC, which was signed by, among others, Defendant Lee,
 6 and reiterated the Company's previously announced financial results and financial position for
 7 the fiscal year ended April 30, 2013. In addition, pursuant to SOX, the Form 10-K contained a
 8 signed certification by Defendant Lee, stating that the financial information contained in the
 9 10-K was accurate, and that they disclosed any material changes to the Company's internal
 10 control over financial reporting.

11 27. The Form 10-K represented the following in relevant part:

12 We own two washing facilities with an aggregate annual
 13 coal-washing capacity of approximately 480,000 tons. The
 14 facility at Hong Xing washes coal mainly for third parties (i.e.,
 non-affiliates to the Company.) The facility at the DaPuAn Coal
 mine only washes coal from the DaPuAn mine.

15 * * *

16 Since DaPuAn only washes its own coal from its own mine, we
 17 only listed the raw coal under the Mining Segment. We have
 18 considered this is part of the total service provided within
 DaPuAn before the coal was sold to customer. There was no
 washing reported separately.

19 * * *

20 In April 2012, we sold our interest in Ping Yi mine and coal
 21 washing plant back to the original owners. DaPuAn only washes
 22 coal from its own mine. We have considered this as part of the
 total service provided within DaPuAn before the coal was sold to
 customer. Therefore, there was no washing for DaPuAn reported
 separately.

23 * * *

24 Sale of Ping Yi Mine

25 With consideration of several factors including continuing
 26 development strategies, the Company made the determination to
 dispose of the Ping Yi Mine. On April 30, 2012, the Company
 27 entered into an Equity Sale and Purchase Agreement with Mr.
 Zhang, the previous owner of Ping Yi Mine, whereby the
 28 company sold its 100% equity ownership interest in Ping Yi Mine
 for RMB 196,000,000, approximately \$31,000,000. The payment

1 was agreed to take the form of receipt with no payment in two
2 parts, (1) through receipt of coal extracted from Ping Yi Mine
3 subsequent to the disposal, including priority receipt of future coal
4 from Ping Yi mine at a 5% discounted price compared to the
5 market price until 70% of the payment is received; (2) through
6 receipt of the use of Ping Yi Mine's washing facilities subsequent
7 to disposal, including usage fees charged at a 3%-5% discounted
8 price compared to the market price until 30% of the payment is
9 received. The terms of the agreement state that full payment must
10 be received within five years, and that 70% of total receipts must
11 occur by the end of year three. The Company has no continuing
12 involvement in the disposed business.

13 The Company recorded \$408,020 as income from discontinued
14 operations for the year ended April 30, 2013. Additionally, the
15 company recorded \$3,183,786 of costs to dispose related to the
16 provision of discounting the estimated receipt of the payment over
17 the payment term. Net of the valuation allowance, the estimated
18 receipt was recognized as current disposal receivable and long
19 term disposal receivable of \$7,094,403 and \$20,921,811
20 respectively.

21 Sale of DaPing Coal Mine

22 With consideration of several factors including continuing
23 development strategies, the Company made the determination to
24 dispose of the DaPing Mine. On November 18, 2012, the
25 Company decided to purchase two coal mines, which are
26 LuoZhou and LaShu mines by making a swap of the 60% equity
27 interest in DaPing mine and 98% equity interest in ZoneLin
28 Coking Plant. The fair value of the 60% equity interest in DaPing
is reasonably stated by the amount of approximately \$23 million,
including \$0.5 million on assets write-up per fair value
measurement. The Company has no continuing involvement in
the disposed business.

29 Sale of ZoneLin Coking Plant

30 With consideration of several factors including continuing
31 development strategies, the Company made the determination to
32 dispose of the Zone Lin Coking Plant. On November 18, 2012,
33 the Company decided to purchase two coal mines, which are
34 LouZhou and LaShu mines by making a swap of the 60% equity
35 interest in DaPing mine and 98% equity interest in ZoneLin
36 Coking Plant. The fair value of the 100% equity interest in
37 ZoneLin is reasonably stated by the amount of RMB 77,786,000
38 (approximately \$12.4 million, including \$2.7 million on assets
write-up per fair value measurement). The Company has no
continuing involvement in the disposed business.

28. On July 31, 2013, the Company held an analyst conference call to discuss the
financial results for the fiscal year ended April 30, 2013. During the analyst conference call,
Defendant Fong had the following Q&A exchange with an analyst:

1 <Q>: Do you at least, [indiscernible] (15: 59). Can you at least
2 comment on the trend from Q1 to Q4 in the coal washing? Can
3 you give us any color on the trend?

4 <Fong>: Coal washing. The trend, I can tell you -- the trend has
5 been up. Hang on a second, let me grab a ...

6 <Q>: Yeah. The coal washing at Hong Xing is not just to
7 clarify?

8 <Fong>: Right. The coal washing in Hong Xing has been
9 relatively steady year over-year, 2012 to 2013. We washed about
10 overall 77,000 tons out of the -- in that segment and that compares
11 to about 62,000 tons, 63,000 tons -- excuse me, let me get the
12 actual tons right. We went from about 400,000 tons to 470,000
13 tons year over- year. That area has been a little more steady. I
14 don't have the breakdown between the two, but I know because I
15 would expect and I'll make sure of this, but I believe that's all the
16 Hong Xing facility because it doesn't -- those numbers exclude the
17 Ping Yi mine, which was a split facility and they also -- and Hong
18 Xing would be the only facility that we would count separately.
19 The DaPuAn mine washes only its own coal, so it tends to just get
20 lumped in with its coal sales, not a separate breakout on washing.
21 So, the bottom-line is, it is stronger than it was last year. It's
22 mostly due to the fact that production in the area has been better
23 and so the availability of coal has been better.

24 <Q>: Okay, all right, and I appreciate that, and just one final
25 question here, Clayton, if I could, [indiscernible] referring back to
26 the Hong Xing, would you consider that even in Q4 -- excuse me,
27 in Q 1, in this current quarter that the -- they are trending up at the
28 Hong Xing Coal Washing Facility. Is that safe to assume from
what you -- from your answer -- from your last answer?

<Fong>: Overall, I don't have the quarter-over-quarter number in
front of me, but I do know that we've been trending up modestly
on the coal washing side.

29. On August 19, 2013, the Company issued a press release entitled, "L&L Provides
Strategic Update." Specifically, the press release stated the following in relevant part concerning
the Hong Xing Washing Facility:

The Hong Xing Washing facility is L&L's smaller coal washing
plant located in Shezone County, Yunnan Province ("Hong
Xing"). Over the past few months L&L management decided to
wind down operations due to increased needs to capital
expenditures. Management has decided Hong Xing will not be
accretive to L&L in the long run and has stopped Hong Xing's
washing operations. Hong Xing facility is to be sold or disposed
to an interested buyer as soon as possible.

1 30. On September 9, 2013, the Company issued a press release announcing its
 2 financial results for the first quarter ended July 31, 2013. For the quarter, the Company reported
 3 net income of \$13.4 million, or \$0.27 diluted EPS and net revenues of \$51.2 million, as
 4 compared to net income of \$8.5 million, or \$0.17 diluted EPS and net revenues of \$39.4 million
 5 for the same period of the prior year.

6 31. On September 9, 2013, the Company filed a quarterly report on Form 10-Q for
 7 the first quarter ended July 31, 2013 with the SEC, which was signed by Defendant Lee, which
 8 reiterated the Company's previously announced quarterly financial results and financial position.
 9 In addition, pursuant to SOX, the Form 10-Q contained a signed certification by Defendant Lee,
 10 stating that the financial information contained in the 10-Q was accurate, and that it disclosed
 11 any material changes to the Company's internal control over financial reporting.

12 32. The Form 10-Q stated the following in relevant part:

13 Sale of Ping Yi Mine

14 With consideration of several factors including continuing
 15 development strategies, the Company made the determination to
 16 dispose of the Ping Yi Mine. On April 30, 2012, the Company
 17 entered into an Equity Sale and Purchase Agreement with Mr.
 18 Zhang, the previous owner of Ping Yi Mine, whereby the
 19 company sold its 100% equity ownership interest in Ping Yi Mine
 20 for RMB \$196,000,000, approximately US \$31,000,000. The
 21 payment was agreed to take the form of receipt with payment in
 22 two parts, (1) through receipt of coal extracted from Ping Yi Mine
 23 subsequent to the disposal, including priority receipt of future coal
 24 from Ping Yi mine at a 5% discounted price compared to the
 25 market price until 70% of the payment is received; (2) through
 26 receipt of the use of Ping Yi Mine's washing facilities subsequent
 27 to disposal, including usage fees charged at a 3%-5% discounted
 28 price compared to the market price until 30% of the payment is
 received. The terms of the agreement state that full payment must
 be received within five years, and that 70% of total receipts must
 occur by the end of year three. As of July 31, 2013, the Company
 received total payment of \$2,077,063 as coal washing facilities
 service.

 The Company recorded \$408,020 as income from discontinued
 operations for the year-ended April 30, 2012. Additionally, the
 Company recorded \$3,183,786 of costs to dispose related to the
 provision of discounting the estimated receipt of the payment over
 the payment term (refer to Note 5 and 11).

 Sale of DaPing Coal Mine

 With consideration of several factors including continuing
 development strategies, the Company made the determination to

1 dispose of the DaPing Mine. On November 18, 2012, the
 2 Company decided to purchase two coal mines, which are
 3 LuoZhou and LaShu mines by making a swap of the 60% equity
 4 interest in DaPing mine and 98% equity interest in Zone Lin
 5 Coking Plant. The fair value of the 60% equity interest in DaPing
 is reasonably stated by the amount of approximately \$23 million,
 including \$0.5 million on assets write-up per fair value
 measurement. The Company has no continuing involvement in
 the disposed business.

6 Sale of ZoneLin Coking Plant

7 With consideration of several factors including continuing
 8 development strategies, the Company made the determination to
 9 dispose of the ZoneLin Coking Plant. On November 18, 2012, the
 10 Company decided to purchase two coal mines, which are
 11 LouZhou and LaShu mines by making a swap of the 60% equity
 12 interest in DaPing mine and 98% equity interest in ZoneLin
 Coking Plant. The fair value of the 100% equity interest in
 ZoneLin is reasonably stated by the amount of RMB 77,786,000
 (approximately \$ 12.4 million, including \$2.7 million on assets
 write-up per fair value measurement). The Company has no
 continuing involvement in the disposed business.

13 33. The statements referenced above were materially false and/or misleading because
 14 they misrepresented and failed to disclose the following adverse facts, which were known to
 15 Defendants or recklessly disregarded by them that: (i) the Company improperly accounted
 16 substantial revenue from operations that were already shut down; (ii) the Company claimed
 17 acquisitions and divestitures of various properties through swap transactions that never occurred
 18 through the exchange of assets it never owned in the first place; (iii) the Company lacked
 19 adequate internal and financial controls; and (iv) that, as a result of the foregoing, the
 20 Company's financial results were materially false and misleading at all relevant times.

21 **THE TRUTH EMERGES**

22 34. On September 19, 2013, GeoInvesting published an article on Seeking Alpha
 23 accusing the Company "of defrauding investors by booking substantial revenue from operations
 24 that have been idled for quite some time." Moreover, GeoInvesting stated that "LLEN's string
 25 of acquisitions and divestitures of various properties over the last few years amounts to a bait
 26 and switch shell game where it claimed to come into possession of assets through swap
 27 transactions that never occurred through the exchange of assets it never owned in the first
 28 place." GeoInvesting stated the following:

Revenue Misrepresentation

1. LLEN's Hong Xing Coal Washing Factory, accounting for 39% of fiscal 2013 revenues, has been shut down since 2012, according to interviews conducted in July 2013 by GeoInvesting investigators with the only remaining staff on site as well as local residents.

2. Hong Xing did not file or pay any taxes to the Shizong County Local Tax Bureau since June 2012, and paid minimal taxes to the Bureau in the first half of 2012, according to our research.

3. On July 31, 2013, the LLEN management team falsely claimed in its fiscal 2013 earnings conference call "... we've been trending up modestly on the coal washing side." However, twenty days later, on August 19, 2013, LLEN announced in a press release: "L&L to Dispose Hong Xing Washing Facility." GeoInvesting believes that LLEN's abrupt decision to dispose of its purportedly profitable and growing coal washing operation was triggered by LLEN's discovery of our ongoing investigation.

4. Similar to Hong Xing, LLEN's purportedly revenue producing ZoneLin Coking Plant was shuttered and demolished a few months prior to LLEN's claimed \$12.4M sale/exchange of ZoneLin Coking Plant to Union Energy, according to interviews with local residents, workers, and a government official.

5. The government mandated decision to shut down the ZoneLin Coking Plant was first issued on June 6, 2012. On September 10, 2012 the demolition was scheduled.

Acquisition/Ownership Misrepresentation

6. LLEN does not own the Hong Xing Coal Washing Factory according to officially chopped (sealed) SAIC records.

7. Officially chopped SAIC filings show that neither Union Energy nor LLEN own the DaPing mine and Zone Lin Coking Plant.

8. The demolition of the Zone Lin Coking Plant prior to its alleged swap to Union Energy casts doubt on LLEN's acquisition of the LuoZhou and LaShu mines. LLEN claims that it acquired the LuoZhou and LaShu mines from Union Energy through a November 19, 2012 "asset swap" transaction, whereby LLEN exchanged its 98% interest in the ZoneLin Coking Plant and its 60% interest in the DaPing mine for Union Energy's 95% interests in the LuoZhou and LaShu mines. We find it highly implausible that Union Energy would want to acquire the ZoneLin Coking Plant, valued by LLEN at \$12.4 million, when the ZoneLin Coking Plant was in the process of being torn down.

9. The Chinese government assigned the right to consolidate the DaPing mine to another company (not Union Energy). According

1 to local residents, Union Energy never acquired LLEN's 60%
2 interest in the DaPing mine.

3 10. In addition to the above findings, we have referenced multiple
4 pieces of evidence that have led us to conclude that the asset swap
5 deal never occurred and that LLEN did not acquire, nor does it
6 today own the LuoZhou and LaShu mines. Our evidence
7 includes:

8 11. Current SAIC filings show that Union Energy owns the
9 LuoZhou and LaShu mines. These SAIC filings have the official
10 chop (seal) of the Guizhou SAIC.

11 12. Interviews of Union Energy management who all repeatedly
12 assert that, while they are familiar with LLEN, Union Energy, not
13 LLEN, is the owner of the LuoZhou and LaShu mines. Interviews
14 with multiple LuoZhou and LaShu mine employees further
15 confirm Union Energy's ownership and complete control over the
16 day to day operations and coal sales.

17 13. Articles in local PRC newspapers and official government
18 websites clearly show that Union Energy, not LLEN, acquired and
19 owns the LaShu and LuoZhou mines.

20 14. Signage apparently recently erected at both mines bears Union
21 Energy's name, not LLEN's.

22 15. Union Energy's participation in the Guizhou provincial mine
23 consolidation process is ongoing and well documented. Union
24 Energy was assigned to acquire the LuoZhou and LaShu mines in
25 March 2013 and just finalized the acquisition of mining rights for
26 both mines in August 2013.

27 16. The nominee who claimed to hold LLEN's equity ownership
28 in the DaPuAn mine and SuTsong mine is an individual who
appears not to exist.

17 17. LLEN made a misrepresentative statement regarding the legal
18 status of the DaPuAn mine and SuTsong mine. Our findings
19 greatly help explain LLEN's complete lack of free cash flow and
20 inability to service its accounts payable resulting in a \$4,983,075
21 highly dilutive debt for equity exchange arrangement after
22 creditors sued LLEN in the Superior Court of the State of
23 California for the County of Los Angeles Central District. Most
24 importantly, \$800,000 of the dilutive issuance resulted from the
25 exchange of obligations owed to Dickson Lee, LLEN's chairman.
26 Effectively, Dickson Lee indirectly sued his own company and
27 disclosed this fact only after reaching the settlement that occurred
28 on August 14, 2013 and was buried in the proxy statement issued
on August 16, 2013.

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**DERIVATIVE AND DEMAND FUTILITY
ALLEGATIONS FOR THE BOARD OF L&L**

35. Plaintiff brings this action derivatively in the right and for the benefit of L&L to redress injuries suffered and to be suffered by L&L as a result of the breaches of fiduciary duty by Defendants.

36. Plaintiff will adequately and fairly represent the interests of L&L and its shareholders in enforcing and prosecuting its rights.

37. As a result of the facts set forth herein, Plaintiff has not made a demand on the L&L Board of Directors to institute this action against Defendants. Such demand would be a futile and useless act because the Board is incapable of making an independent and disinterested decision to institute and vigorously prosecute this action.

38. At the time of the filing of this derivative action, Defendants who are currently the members of the L&L's Board are Defendants Lee, Peng, Yang, Fong and Datwani.

**THE MEMBERS OF THE BOARD OF DIRECTORS LACK INDEPENDENCE
DEFENDANT LEE LACKS INDEPENDENCE**

39. Defendant Lee serves as the Company's CEO, pursuant to which he has received and continues to receive substantial monetary compensation and other benefits. For instance, Defendant Lee received compensation of \$300,000 in 2013. Because of Lee's employment with the Company he is not considered an independent director. Further, the Company does not have a lead independent director. Moreover, Defendant Lee received during fiscal year 2013, \$50,000 in stock option awards, and \$80,000 option/warrant awards.

DEFENDANT FONG LACKS INDEPENDENCE

40. Defendant Fong serves as the Company's Vice President, pursuant to which he has received and continues to receive substantial monetary compensation and other benefits. For instance Fong received compensation of \$162,496 in 2013. Because of Fong's employment with the Company he is not considered an independent director. Further, Defendant Fong received during fiscal year 2013, \$50,000 in stock option awards, and \$80,000 option/warrant awards.

**LIKELIHOOD OF SUBSTANTIAL LIABILITY OF THE
AUDIT COMMITTEE DEFENDANTS**

41. Defendants Peng, Yang and Datwani each serve on the Audit Committee of L&L's Board. As such, they will take no action against one another or the other members of the Board or the other Defendants because each member of this Audit Committee breached important specific duties as Audit Committee members. According to L&L's SEC filings and Audit Committee Charter the purpose of the Audit Committee is, among other things, to monitor and oversee the quality and integrity of the Company's accounting process and system of internal controls.

42. Defendants Peng, Yang and Datwani ignored clear and obvious red flags and in doing so breached their fiduciary duties of due care, loyalty, and good faith. Specifically, Defendants Peng, Yang and Datwani ignored clear and obvious red flags regarding (1) the Company improperly accounted substantial revenue from operations that were already shut down; (2) the Company claimed acquisitions and divestitures of various properties through swap transactions that never occurred through the exchange of assets it never owned in the first place; and (3) the Company lacked adequate internal and financial control.

43. The Audit Committee members possesses and possessed essentially unfettered power to the Company's records and can request additional information or meet with management as it deems necessary to fulfill its responsibilities.

44. As a result of the Audit Committee's failures, Defendants Peng, Yang and Datwani face a substantial likelihood of liability for breaches of fiduciary duties, making any demand upon them futile.

**ADDITIONAL LIKELIHOOD OF SUBSTANTIAL LIABILITY
OF THE COMPENSATION COMMITTEE MEMBERS**

45. Defendants Peng, Yang and Datwani were at times relevant hereto members of the Company's Compensation Committee. Pursuant to its Charter, the Compensation Committee is and was responsible for, among other things, reviewing and approving the compensation and incentive arrangements for the Company's CEO and Executive Chairman.

1 46. The Compensation Committee permitted the continued compensation payments
2 to senior executives, like Defendants Lee and Fong, based on misleading statements and grossly
3 inflated financial results, and in the process, committed corporate waste.

4 Additional Likelihood of Substantial Liability of the Board of Directors

5 47. The Board members of L&L approved and/or permitted the wrongs alleged
6 herein to have occurred and participated in efforts to conceal or disguise these wrongs from
7 L&L shareholders or recklessly disregarded the wrongs complained herein, and are therefore not
8 disinterested parties. Each of the Defendants exhibited a systematic failure to fulfill their
9 fiduciary duties, which could not have been an exercise of good faith business judgment and
10 amounted to extreme recklessness and bad faith.

11 48. In order to bring this suit, the Board members of L&L would be forced to sue
12 themselves and persons with whom they have extensive business and personal entanglements,
13 which they will not do, thereby excusing demand.

14 49. The acts complained of constitute violations of the fiduciary duties owed by
15 L&L's officers and directors and these acts are incapable of ratification.

16 50. L&L has been, and will continue to be subjected to lawsuits for the actions
17 described herein, including securities fraud class action lawsuits, yet the Defendants and current
18 Board have not filed any lawsuits against themselves or others who were responsible for that
19 wrongful conduct to attempt to recover for L&L any part of the damages the Company has
20 suffered and will continue to suffer.

21 51. The actions of the Directors and the relationships between and among
22 Defendants as described above have impaired the Board's ability to validly exercise its business
23 judgment and have rendered it incapable of reaching an independent decision as to whether to
24 accept Plaintiff's demands.

25 52. Any suit by the directors of L&L to remedy these wrongs would likely expose the
26 Defendants and L&L to further violations of securities laws which could result in additional
27 civil actions being filed against one or more of the Board members. In light of this, they are
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1 conflicted in making any supposedly independent determination as to whether to sue
2 themselves.

3 53. Indeed, L&L has already expended and will continue to expend significant sums
4 of money as a result of the illegal and improper actions described above. Such expenditures will
5 include, but are not limited to:

6 (a) Costs incurred to carry out internal investigations, including legal fees
7 paid to outside counsel and experts; and

8 (b) Costs and legal fees for defending L&L and certain of the Defendants
9 against private securities class action litigation arising from illegal and improper conduct alleged
10 herein.

11 54. Plaintiff has not made any demand on the shareholders of L&L to institute this
12 action since demand on the shareholders would be a futile endeavor for the following reasons:

13 (a) L&L is a publicly held company with millions of shares outstanding, and
14 thousands of shareholders;

15 (b) Making demand on such a number of shareholders would be impossible
16 for Plaintiff, who has no way of finding out the names, addresses or phone numbers of all the
17 shareholders; and

18 (c) Making demand on all shareholders would force Plaintiff to incur huge
19 expenses, assuming all shareholders could be individually identified.

20 **COUNT I**
21 **BREACH OF FIDUCIARY DUTY**

22 55. Plaintiff incorporates by reference and realleges each and every allegation set
23 forth above, as though fully set forth herein.

24 56. As alleged in detail herein, each of the Defendants had a duty to ensure that L&L
25 disseminated accurate, truthful and complete information to its shareholders.

26 57. Defendants violated their fiduciary duties of care, loyalty, and good faith by
27 causing or allowing the Company to disseminate to L&L shareholders materially misleading and
28

1 inaccurate information through public statements and disclosures as detailed herein. These
2 actions could not have been a good faith exercise of prudent business judgment.

3 58. As a direct and proximate result of Defendants' foregoing breaches of fiduciary
4 duties, the Company has suffered significant damages, as alleged herein

5 **COUNT II**
6 **BREACH OF FIDUCIARY DUTIES FOR FAILING TO**
7 **PROPERLY OVERSEE AND MANAGE THE COMPANY**

8 59. Plaintiff incorporates by reference and realleges each and every allegation
9 contained above, as though fully set forth herein.

10 60. Defendants owed and owe L&L fiduciary obligations. By reason of their
11 fiduciary relationships, Defendants specifically owed and owe L&L the highest obligation of
12 good faith, fair dealing, loyalty and due care.

13 61. Defendants, and each of them, violated and breached their fiduciary duties of
14 care, loyalty, reasonable inquiry, oversight, good faith and supervision.

15 62. As a direct and proximate result of Defendants' failure to perform their fiduciary
16 obligations, L&L has sustained significant damages, not only monetarily, but also to its
17 corporate image and goodwill.

18 63. As a result of the misconduct alleged herein, Defendants are liable to the
19 Company.

20 64. Plaintiff, on behalf of L&L, has no adequate remedy at law.

21 **COUNT III**
22 **ABUSE OF CONTROL**

23 65. Plaintiff incorporates by reference and realleges each and every allegation
24 contained above, as though fully set forth herein.

25 66. Defendants' misconduct alleged herein constituted an abuse of their ability to
26 control and influence L&L, for which they are legally responsible. In particular, Defendants
27 abused their positions of authority by causing or allowing L&L to misrepresent material facts
28 regarding its business.

1 67. As a direct and proximate result of Defendants' abuse of control, L&L has
2 sustained significant damages.

3 68. As a result of the misconduct alleged herein, Defendants are liable to the
4 Company.

5 69. Plaintiff, on behalf of L&L, has no adequate remedy at law.

6 **COUNT IV**
7 **GROSS MISMANAGEMENT**

8 70. Plaintiff incorporates by reference and realleges each and every allegation set
9 forth above, as though fully set forth herein.

10 71. Defendants had a duty to L&L and its shareholders to prudently supervise,
11 manage and control the operations, business and internal financial accounting and disclosure
12 controls of L&L.

13 72. Defendants, by their actions and by engaging in the wrongdoing described herein,
14 abandoned and abdicated their responsibilities and duties with regard to prudently managing the
15 businesses of L&L in a manner consistent with the duties imposed upon them by law. By
16 committing the misconduct alleged herein, Defendants breached their duties of due care,
17 diligence and candor in the management and administration of L&L's affairs and in the use and
18 preservation of L&L's assets.

19 73. During the course of the discharge of their duties, Defendants knew or recklessly
20 disregarded the unreasonable risks and losses associated with their misconduct, yet Defendants
21 caused L&L to engage in the scheme complained of herein which they knew had an
22 unreasonable risk of damage to L&L, thus breaching their duties to the Company. As a result,
23 Defendants grossly mismanaged L&L.

24 **COUNT V**
25 **WASTE OF CORPORATE ASSETS**

26 74. Plaintiff incorporates by reference and realleges each and every allegation
27 contained above, as though fully set forth herein.
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1 75. As a result of the misconduct described above, and by failing to properly
2 consider the interests of the Company and its public shareholders, Defendants have caused L&L
3 to incur (and L&L may continue to incur) significant legal liability and/or legal costs to defend
4 itself as a result of Defendants' unlawful actions.

5 76. As a result of this waste of corporate assets, Defendants are liable to the
6 Company.

7 77. Plaintiff, on behalf of L&L, has no adequate remedy at law.

8 **PRAYER FOR RELIEF**

9 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

10 1. Against all Defendants and in favor of the Company for the amount of damages
11 sustained by the Company as a result of Defendants' breaches of fiduciary duties;

12 2. Directing L&L to take all necessary actions to reform and improve its corporate
13 governance and internal procedures to comply with applicable laws and to protect the Company
14 and its shareholders from a repeat of the damaging events described herein, including, but not
15 limited to, putting forward for shareholder vote resolutions for amendments to the Company's
16 By-Laws or Articles of Incorporation and taking such other action as may be necessary to place
17 before shareholders for a vote a proposal to strengthen the Board's supervision of operations and
18 develop and implement procedures for greater shareholder input into the policies and guidelines
19 of the Board;

20 3. Awarding to L&L restitution from Defendants, and each of them, and ordering
21 disgorgement of all profits, benefits and other compensation obtained by the Defendants;

22 4. Awarding to Plaintiff the costs and disbursements of the action, including
23 reasonable attorneys' fees, experts' fees, costs, and expenses; and

24 5. Granting such other and further relief as the Court deems just and proper.

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JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED this 20th day of December 2013.


MATTHEW L. SHARP, LTD.

/s/ Matthew L. Sharp

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Attorneys for Plaintiff

I, Loren Giesbrecht, declare that I have reviewed the Verified Complaint for Breach of Fiduciary Duty (the "Complaint") prepared on behalf of L&L Energy, Inc. ("L&L") and authorize its filing. I have reviewed the allegations made in the Complaint, and to those allegations of which I have personal knowledge, I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely on my counsel and their investigation and for that reason believe them to be true. I further declare that I am a current holder, and have been a holder, of L&L common stock at all relevant times.


Loren Giesbrecht